

What To Do If Your CPI Is Dropped From Publication



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The Consumer Price Index is periodically revised to improve its performance as a measure of price change. With release of the Consumer Price Index (CPI) data for January 1998, the CPI will reflect the population distribution from the 1990 (instead of 1980) Census. This improves the CPI because the samples it is based upon will better reflect where people now live and shop.

The CPI will also update the expenditure weights used in its market basket to represent 1993-95 (instead of 1982-84) spending patterns. New expenditure weights improve the CPI because consumers change their purchasing patterns in response to many long-term factors. Without updates the index would overweight many now infrequently purchased items, such as domestic service and phonograph records, and underweight many newly important items, such as day care and computer software. In addition, for the first time, the CPI will use estimates of index variances as a guideline for determining which data series get published.

Because of these changes, publication of some indexes for certain item categories and geographic areas will be discontinued. Parties to contracts which call for the use of CPI indexes that are no longer published will need to select a replacement index. The Bureau of Labor Statistics cannot mediate or arbitrate legal disputes relating to contracts which use the CPI. However, the Bureau may provide technical and statistical information which contracting parties could use to develop escalation procedures. The suggestions in this guide are alternatives that contracting parties may wish to consider.

Changes in availability of published indexes

The U.S. City Average CPI for All Items on the 1982-84 base will remain in place after revised indexes are issued with the release of January 1998 data. Changes in publication policy, however, may affect escalation contracts tied to local area indexes or specific index components.

Beginning in January 1998, three basic changes occur to the published indexes. First, some area indexes will be deleted or modified. For example, B- and C- sized cities which were formerly represented by separate indexes have now been combined to form one new index for B/C-sized cities. Second, some area indexes are published on a different schedule; for example, the index for St. Louis will change from bi-monthly to semi-annual publication. Finally, some index components will change—for example, the entertainment group will be replaced by a recreation group, which includes items not previously included in the entertainment group.

What if the geographic area I need is no longer published?

Contracts tied to an index for an area that will no longer be published may wish to use an index for a larger geographic area that includes the original area. For example, users of the index for B-sized cities in the Northeast may wish to switch to the index for B/C-sized cities in the Northeast. Users may also wish to switch to the CPI for all cities in the Northeast, or to the U.S. City Average CPI.

What if the month I need is no longer published?

Users with contracts tied to a specific month's index that will no longer be published may also wish to switch to an index for a larger geographic area. For example, when the CPI for Pittsburgh, PA changes from bimonthly to semi-annual publication, there will no longer be a Pittsburgh CPI for February. Users of the Pittsburgh CPI for February may wish to switch to the February CPI for all cities in the Northeast region, or to the U.S. City Average CPI.

Users of the CPI for specific months may also wish to use the CPI for a different interval that includes the months of the original escalation clause. If a contract calls for an adjustment based on the February 1997 to February 1998 change in the CPI for Pittsburgh, users may instead wish to use the change from the first half of 1997 to the first half of 1998.

The BLS strongly urges users to consider using the national or regional CPI's, rather than the CPI's for specific local areas. The national and regional CPI's have larger sample sizes than the local areas and are therefore more stable and subject to smaller sampling errors.

What if the item category I need is no longer published?

Users with contracts tied to an index for a specific item category may wish to switch to an aggregate item category. For example, with the discontinuation of the index for new cars, alternatives could include using the index for new vehicles (which includes both new cars and new trucks). Similarly, users may wish to switch to an even broader item category such as transportation or even all items.

For more information

A complete description of changes to the published CPI can be found in "Publication strategy for the 1998 revised Consumer Price Index," *Monthly Labor Review*, December 1996, pages 26-30. This article can also be found at <http://stats.bls.gov/cpihome.htm> on the CPI homepage on the Internet. Bureau staff are also available to provide technical information on the changes to the published CPI. BLS

staff cannot, however, interpret contracts or provide legal advice to contracting parties.

Explanations of the CPI are available on the World Wide Web at <http://stats.bls.gov/cpihome.htm> or from any of the following regional offices listed below. To request CPI data or technical summaries via fax-on-demand, call any of the nine numbers listed below and select option 1 to receive a Ready Facts catalog of available documents that can be sent to you.

Office	Fax-on-Demand	Telephone
Washington, DC	(202) 606-6325	(202) 606-7000
Boston	(617) 565-9167	(617) 565-2327
Philadelphia	(215) 596-4160	(215) 596-1154
New York	(212) 337-2412	(212) 337-2400
Atlanta	(404) 562-2545	(404) 562-2463
Chicago	(312) 987-9288	(312) 353-1880
Kansas City	(816) 426-3152	(816) 426-2481
Dallas	(214) 767-9613	(214) 767-6970
San Francisco	(415) 975-4567	(415) 975-4350

Alternatives to consider when replacing CPI components no longer published

<p>If the <i>geographic area</i> called for in a contract is no longer published, consider using:</p> <ul style="list-style-type: none"> • a CPI for a larger geographic area; or • the U.S. City Average CPI 	<p>For example, if a contract calls for using the CPI for a B-sized city in the West, consider using:</p> <ul style="list-style-type: none"> • the CPI for B/C sized cities in the West; • the CPI for all cities in the West; or • the U.S. City Average CPI
<p>If the <i>time period</i> called for in a contract is no longer published, consider using:</p> <ul style="list-style-type: none"> • a larger geographic area for which the needed time period is available; or • a longer time period that includes the original time period 	<p>For example, if a contract calls for using the St. Louis CPI from March 1997 to March 1998, consider using:</p> <ul style="list-style-type: none"> • the CPI for the Midwest region from March 1997 to March 1998; or • the St. Louis CPI from the first half of 1997
<p>If the <i>item category</i> called for in a contract is no longer published, consider using:</p> <ul style="list-style-type: none"> • an aggregate item category; or • a similar commodity group 	<p>For example, if a contract calls for use of the CPI for women's suits, consider using:</p> <ul style="list-style-type: none"> • the CPI for apparel; or • the CPI for women's suits and separates